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Book Review

The Essentials of Business Process Outsourcing

The success of business process outsourcing (BPO) has forever changed the traditional business landscape. Globalization and a greater need for cross-cultural reliance have transformed what was once a cornered market for a few into an open playing field for many. As a result, a measurable business discipline has evolved complete with acronyms, models and methods. The "*Essentials of Business Process Outsourcing"* by Thomas N. Duening and Rick L. Click is a valuable must-read for corporate decision makers that are considering the transition into an outsourcing business model. In seven chapters the book outlines a comprehensive roadmap of critical thinking, exhibits and case examples of the risks, rewards, pitfalls and nuances of external business operations in the 21st century.

The "*Essentials of Business Process Outsourcing"* is especially helpful in acquainting novices with the concept of outsourcing and its origins. A brief historical segment highlights the evolution of Western business from the Agrarian Age to that of industrialization and now information technology (Duening and Click 7). As industrial processes transitioned offshore, Western business creatively adapted its business acumen in the areas of information technology. A key impetus for the rise in transitioning internal non-core business functions to external locales was to better focus on developing core competencies. The trend has been towards relocating back office processes like accounting, payroll, and customer service off site in an effort to cultivate internal business drivers such as research and development (R&D), product

development and marketing. The book further explains that BPO can be performed internationally or at a domestic level also known as "near shore" outsourcing. The book provides examples of leading American corporate models that conduct near shore outsourcing such as ADP (Automated Data Processing), Paychex (payroll service) and the United Parcel Service (shipping and logistics). The added benefit of cost savings is featured as an argument for enlisting a corporate BPO model. According to the reading, the reduced cost of information storage (30), advances in communications technology, satellite and internet connectivity coupled with transitioning non-core operations to "high talent - low cost" (12) labor markets has been financially advantageous. At the time of writing, BPO was projected to reach $178 billion dollars in revenues worldwide by 2005 (4).

Authors Duening and Click detail the strengths and weaknesses of BPO markets according to their representative class of trade:

- India (best for Engineering an Technical)
- China (best for Manufacturing and Technical)
- Mexico (best for Manufacturing)
- Philippines (best for Administrative)
- United States (best for Analysis and Creative)

This overview acts as a guide for matching a country's best capabilities with the needs of a corporate project. The upsides of globalization as they're described are cost savings, fostering creativity, business development and cultivating competitive advantage. Similar to Thomas L. Friedman's "*The World is Flat*," Duening and Click discuss the notable concern over job losses in the American economy and the inability of knowledge workers to remain competitive if science, math and technical education are not emphasized in the U.S. It is the waning knowledge

of math and sciences that is making offshore BPO necessary. Exhibit 1.3 in the book shows a markedly disparate comparison of Asian vs. U.S. focus on Technical Education (11). While Western corporations have been forced to seek technically savvy talent offshore, an element of control remains over the BPO environment and is established through the rules, regulations and guidelines of doing business with the U.S. However, the book makes clear to the reader that the advent of BPO will challenge the resilience of U.S. commerce to maintain its stranglehold on business control and will require yet another transformation if American industry is to survive. Infosys Technologies and WIPRO Technologies, both headquartered in Bangalore India, provide technology-consulting solutions to the U.S. and beyond. In over 20 years time, they have become corporate behemoths as a result of their exposure to the very BPO models that were designed to exploit India's resources. As the U.S. increases dependence on knowledge workers abroad, a shift towards economic supremacy in the East is inevitable.

There are many valuable methods and practices that are outlined in the "Essentials of Business Process Outsourcing." Three aspects of the book that are particularly noteworthy are valuation of risk and reward, the vendor selection process and effective project management.

Forecasting risk and reward through the creation of a TCM (total cost management model) "helps identify both obvious and hidden costs" (67) that can affect a BPO strategy. The difference between strategic and financial costs must be defined and evaluated to determine whether expenses are in line with corporate expectations or, if adjustments must be made (92). A systematic 4-pronged team approach to scheduling, phasing, timing and action all factor into the potential costs of getting a BPO up and running. Up front costs or "burn rate" may be considerable before revenues may even be realized. It is the nature of business to see only the money to be made in transitioning over to a business process model. This book attaches real

world perspective to the time and cost of making such a corporate transition. Exhibit 7.1 details a "Sample BPO Risk-Probability Matrix" (204) which outlines risk type, probability percentage of occurrence, costs involved with the risk and resolution methods. BPO risks can range from being political, legal, medical (think SARS epidemic in outsourcing countries), technological or all of the above.

Duening and Click also describe the vendor selection process as being crucial to the success of a BPO and minimization of strategic costs. Requests for proposal, contract specific responsibilities, claims procedures, factory auditing, level of service agreements and complete pricing structures rule out future confusion and misunderstandings between business partners. The book's focus towards a strategy of cultivating vendor relationships that grow with the client rather than work against them is refreshing and productive. In addition, the relationship between incorrect vendor selection and strategic costs that is defined as loss from external factors outside of the organization are specified. Case in point, sourcing from a vendor that cannot deliver the product or service in a timely fashion may result in loss of sales, accounts, time or reputation all of which equal dollars.

Finally, methods for effective collaboration and project management should not be undervalued. The transition phase of a BPO model establishes the strategy for risk avoidance. Careful consideration should be given to the direct and indirect impacts that such a change will have on the leadership of internal and external operations (192). Variables such as job loss, business continuity, training and shifts in job responsibility require sensitive handling. Globalization in concert with managing transition into a BPO model has presented the old/new dynamic of embracing cultural differences and recognition of diversity in the workplace.

Authors Duening and Click champion the importance of systematic organization in the

establishment and maintenance of a BPO. While many companies enter the business process outsourcing market, many don't survive due to lack of structure, knowledge and unrealistic expectations. The "*Essentials of Business Process Outsourcing*" provides strategic methods, case examples, tips and techniques that are invaluable to the everyday sourcing business environment. It is a desktop reference guide that may very well be helpful in sparking the next big idea in the discipline.

WORKS CITED

Duening, Thomas N. and Rick L. Click Essentials of Business Process Outsourcing. Hoboken

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